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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

75959

COUNTRY China

DATE: 25X1A

SUBJECT Political and Economic Information: Hainan Island

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SOURCE As stated

Administration

1. The ranking political official on Hainan Island is general TSAI Ching Chun, special representative of the Kwangtung Provincial Government. The military commander, whose responsibility is completely separate from that of General TSAI, is Major General CHENG Chi; to him is delegated the fortification of the entire island. According to an unstated Chinese source, present military strength is around 21,000 men - 15,000 of whom belong to the Peace Preservation Corps and the remaining 6,000 to the regular army and airforce. Naval personnel is estimated at 500.

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There have been many attempts by opposition groups to oust General TSAI, who is unpopular among both government officials and residents of the island. It is the general opinion that his administration is marked by graft and corruption and is doing nothing to repair the damage done to the island when it was taken over by the 46 Army following the Japanese withdrawal. There has been no satisfactory official explanation of the disappearance of tons of UNRRA goods sent to the island. It has been estimated that less than one percent of the fifteen million pounds of foodstuff made available by UNRRA has been distributed by reputable agencies.

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- 25X1X 3. Military and naval personnel are poorly disciplined and their pay is frequently several months in arrears. [REDACTED] They are unhealthy and slovenly in appearance, and their weapons seem to be in poor condition.)

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Industry and Communications

4. Travel on the island, even in "secure" (military-controlled) areas, is hazardous, robberies or murders by bandits being reported almost daily by newspapers and individuals. These stories and rumors indicate that the bandits usually fire upon vehicles containing soldiers, but only stop and rob other vehicles. Groups of soldiers are stationed at intervals on the highways and in the villages of controlled areas, as for example along the direct highway from Hoihow to Nanchang /Chiashi, 110-24, 19-20/. They man old forts and other buildings.

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which are frequently surrounded by barbed wire and equipped with high lookouts.

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5. General TSAI attributes the widespread and increasing banditry to indifference of the poorly paid and undisciplined soldiers. His own brother was killed several months ago while driving south from Hoihow. While some outright banditry from economic reasons probably exists among isolated groups, the trend appears to be Communist-inspired and led, and may spread to other dissident groups unless larger military forces are supplied.)

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6. Postal service to practically every place in the island is available and fast.

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7. Trade among the villages, stagnant except on market days, deals primarily in local goods, such as handwoven baskets, turnips or other root vegetables, sugarcane, coconuts, bananas, rice, chickens, ducks, and pigs. Export of cattle and other meats, once an important export item, has been prohibited by the government.

8. Trade is quiet also in cities like Hoihow and Kachek; local merchants report that they are barely making a living. The most conspicuous items in their shops are the canned goods, obviously from UNRRA, which were reportedly dumped on the local market some time ago because some officials of the sixteen hsien of the island were unable to finance transportation of their allocations from the point of origin. This wholesale dumping of goods on the local markets has served to keep prices relatively low; for example, large cans of milk dropped in price from CMC \$6,000 to \$3,000 in one week, and first class rice sells for \$57,000 per picul. Gold merchants, alarmed because the government placed a temporary limit on the sale of gold ornaments, have petitioned General TSAI for relief.

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9. Businessmen contend that there is little business activity or profit except in government-controlled activities. However, there is apparently no large scale enterprise operating on the island at the present time. The largest private concern is the salt mines at Yulin, which are producing at the rate of approximately a million piculs a month and are now exporting large quantities of good salt to the mainland. The government price on this salt is \$2,800 per picul, but it sells for as much as \$55,000 per picul in Canton.

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10. Development of industry in general is hampered by lack of funds, machinery, and skilled labor. The island produces coffee, rubber, cotton, and pineapples; every important mineral but coal is to be found there. The most important items which may now be legally exported are salt, sugarcane, brown sugar, and cowhides. Formerly, cattle at the rate of 1,000 head per month and pigs at the rate of 10,000 head per month were exported from Hoihow, but this is now prohibited by the government. Smuggling is carried on, but in small quantities. Legal shipping from the port of Hoihow, where the ships are forced to anchor far out from shore, is hampered by poor harbor facilities, high winds, and drifting sandbars.

11. The price of crude oils has risen sharply in the last few weeks, as the government has stopped imports of crude oils, kerosene, gasoline, etc. Tung oil, peanut oil, and sesame oil, which are all available locally, are not satisfactory for large scale use. Electrical plants, dependent upon fuels from Hongkong, are hindered in operation. The only satisfactory solution of the power problem on

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the island would be the completion of the Japanese-initiated hydro-electric plants, which, potentially capable of producing 200,000 KW, are now producing only 4,000 KW. It would take years to put these plants in running order.

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12. Officials of the Canton-Hankow Railway Administration assigned to rebuild the railroad from Yulin to the iron ore mines, seven kilometers from Peilce [?], have asked UNRRA aid for the 186-mile project. The work, which has been going on for three months, is expected to require at least six months more. Rebuilding of bridges constitutes the greatest problem in this project. [REDACTED] X
- [REDACTED] Destruction of these bridges, attributed by railway officials to a "typhoon" in 1945, was obviously caused by explosives, probably placed by Communists.) The iron ore mine, at present idle, is potentially capable of producing 200,000,000 tons.

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13. The Yulin naval base and the airfield at Samah /Sanya, 109-30, 18-16/ were reduced to very limited activity by the looting of the 46 Army and the subsequent misappropriation and misrule by Chinese officials. One estimate claims that after the 46 Army had looted the island, taking boatloads of equipment to the mainland for sale, there remained only 5% of the materiel left by the Japanese. At the enormous airfield, which has great possibilities for development, acres of broken and rusted materiel are to be seen. Buildings there and at the naval yards are intact but have been stripped of their furnishings. Gasoline sells for US \$2.00 per gallon. Morale is low among the poorly paid and fed naval personnel.

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Communist Activities

14. There are reported Communist groups in various unnamed villages throughout the island. In some villages they are said to be in control, while in others they are biding their time until they become strong enough to eliminate the government's soldiers. [REDACTED] According to an alleged Communist-sympathizer, in Communist-dominated villages prices and taxes are controlled and order is maintained. Cf note in paragraph 5. There are indications of Communist leadership on the island, and an organized pattern for their activities. It does not appear that the typical Communist programs are in operation on any large scale, although an organized group for revolutionary tactics seems to be developing. There is a saying among the people: "The government takes from the people by day, and the Communists take by night.")

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Miscellaneous Information

15. The entire island bears the scars of Japanese occupation and subsequent misrule. Villages have a run-down appearance; people are poorly clad and fed, and give evidence of a nervous tension induced by the war years and the present difficult times. The city of Hoihow is jammed with approximately twice its pre-war population, harboring many refugees from unsafe areas of the island, and immigrants from the mainland returning to investigate their property and visit relatives. Crowds of war orphans create a difficult problem in the villages. School facilities are generally inadequate.

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- 25X1X There is an undetermined number of Japanese left on the Island of Hainan. It is reported that many are still working as technicians in the iron mines and at Hoihow and that a Japanese general told them, upon leaving, that he would "be back in thirty years". There are a number of Formosans who have married and remained on the island. They are hard workers and make good citizens.

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